PLEADING FOR THE MANAGEMET CONTROLLER PROFESSION IN THE TRADE AREA

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Abstract

Generalizing a reflection on strategy and controlling within the Romanian companies is rather recent. The environment changes and especially the changes in the nature and the dimensions of the markets due to the globalization and regulation put real questions for companies, generate a strategic thinking and make compulsory the appearance of an efficient management control. Generally, the scientific papers concerning the concept of management control deal with the production companies more than with the trade ones. This is why we chose to present the importance of the controller within a trade company.

The management control has to assure the coherence between the adopted strategy (where the company in the trade domain wants to go) and the practical means of achieving it (what it has to do and what it is used for). The management controller is the person that contributes to obtain this coherence. There is plenty of information available, but for the decision making purposes only a restricted number of facts are correlated, namely the relevant ones. The trade management controller takes part in creating the information system useful for the decision making. Such a system has to offer reliable information in due time to the decision making persons concerning the profitability of certain markets, distribution areas, products, clients, the analysis of margins, distribution costs, advertising expenses etc. The trade management controller plays the role of a manager's copilot, he assists him in the management of the activity, alerts him when problems are encountered, helps him to make the necessary decisions to correct the trajectory. These are a few reasons that allow us to sustain the important role played by the management controller in the activity of the companies in the trade area.

Keywords: management controller, trade, customers, management, strategy, analysis, decision

JEL Classification: L81; M41; M51

Introduction

Nowadays, the economic reality is characterized by uncertainty and strong competition asking from the entities that want to survive the same concern about their mission and vision, their stability in time, their adaptation to the change condition. How can you know if the entities follow the correct direction in order to achieve their targets; if they didn't miss their aim; if the instruments they use were well selected and applied? The answer has to be checked in control in general and in controlling in particular.

The controlling is a domain that interests the managers as they want to find out if the targets were achieved, with what effort, with what failures, why and who is responsible. How do you have to act in the future? We try to answer these questions in this article, which is concerned with the distribution and its characteristics, wishing to obtain adequate solutions.

The concept of management control and the models of presentation for specific types of companies were studied by other authors throughout the time.

The hermeneutic of the management control was studied by Bouquin (2004). In his research he presented both the English perspective on this concept and the French one.

Bollecker (2007) studied about fifty European and American papers in the area[1], concerning the management controller profession. The author considers that the papers published after '60, concerning the role of the management controller, are quite heterogeneous but emphasize for major missions: activities supervision, help in driving the company, vertical and horizontal coordination, the change mission.

Albu şi Albu (2007) tried to identify the management control practices in Romania[2]. The two authors checked 48 job offers in this area, presented by companies acting in Romania.

Dumitrana & Caraiani (2004) performed a practical research that allowed them to reach the following conclusions: the management control is organized by the big companies, the management controller profession does not exist in the job sheet in Romania and generally confusion arises between the management controller and the internal auditor jobs.

Dumitru et al. (2008) presented in their study the steps to be followed in the elaboration of a management control model based on the targets set by the company and on the reports that must be prepared for showing the way those targets are achieved in a trade company. The model proposed is elaborated based on the identified activities performed in a distribution company and on its responsibility centers.

1. Aspects concerning the management control

The main mission of the management is to integrate as well as possible the external and internal complexity, especially by searching an equilibrium for a short time between coordination and anarchy, meaning by elaborating procedures and organizational structures that take into account the wishes of the staff. But, this mission won't be achieved unless the *company* system is subject of control.

At the beginning the management control was especially concerned with the part of *check*. As a testimony we can consider the following definition of R.N. Anthony:

- "The management control is the process through which the managers make sure that the resources are obtained and used efficaciously (as to the objectives) and efficiently (as to the means employed) in order to achieve the objectives of the organization" (R.N. Anthony, 1965). The concept of "resources" was supposed to emphasize the managerial dimension of the management control, this being reduced to a simple accounting and financial dimension (Bouquin, 2008).
- "The management control is a process meant to motivate and incite the responsible persons to execute activities that lead to the achievement of the objectives of the organization" (R.N. Anthony, 1965). Thus, in order to achieve the objectives of the company, the behavior will be influenced by inciting and motivating.

This vision marked the American thinking on management, the management control being "the function that assures that the company observes the plan". In this model, the management control acts through successive adjustments (cybernetic model). It compares the previsions with the achievements and leads to corrective measures (A. Burlaud, C. Simon, 1999).

In 1988 Anthony offered another vision of the management control which was a little different. "The management control is the process in which the managers influence the other members of the organization to deploy the strategies of the organization", but the general spirit of the instrument is kept even if the ending is better presented.

Henri Bouquin (2004) finds a common element in defining the management control, starting with R.N. Anthony and finishing with R. Simons: "the management control is the guarantee for the economic logic, coherent with the strategy, assuring the articulation of the assembly processes, addressing the management." Generally, we notice a vault from the formalism, order and "management recipes" (positive current) to the focus on behaviors' study and constructive intelligence.

The management control is a circular set of rules that help achieving the objectives of the company, avoiding the surprises and notifying on time the dangers that need corrective measures.

“Besides the cost knowledge the management control helps the managers to direct the actors in order to organize and drive the performance.” (C. Alazard, S. Sépari, 2001).

The management control evolved, became autonomous as to the controlling techniques of differences and adjustment of budgets and today the theoreticians and practitioners consider it more like *a system for regularizing the behavior*. It exists in the context of a contractual optic of delegating the responsibilities and it stands on an assembly of techniques of remote control of the behaviors.

The management control has to assure the coherence between the adopted strategy (where we want to go) and the practical means of achieving it (what we do and with what means). For a long period the management control was assimilated to a sanction control (a control based on the analysis of the variances and sanctions). The management control has to adapt both to the needs of the organization and to the changes of environment in which it evolves. It is an animation system that influences the behaviors.

The present tendencies are for a *management control that assures the driving of the performance* and for a *management control as an instrument for driving the change*. Driving the performance imposes on the management control the role to help the management of the efficiency and efficacy. The change management concerns reactivating the couple value-cost, the operational improvement of the Kaizen concept and organizational changes.

In order to build a management control system, one can use different instruments that are able to focus the action and the decision making (Gervais, 2000):

- Information concerning the current transactions (can rely on knowledge available to everybody);
- Financial accounting and the use of the profit and loss account;
- Managerial accounting;
- Balance scorecards;
- Budgets system.

2. Who is the management controller and what does he do?

“The wind is favorable for nothing if the sailor doesn’t know where he goes”, Seneca said. Seneca’s saying makes us reconsider the management controller

We consider that the management control drives the management controller profession. In this context, we make the following remarks (Dumitrana & Caraiani, 2004):

- the management control function is universal, if it is found within all the activities of the company, and thus the management controller appears at the level of each activity;
- the management controller is not an operational employee, as he has no competences in this area;
- the management controller recommends, suggests, signalizes;
- the management controller has to have an autonomy and a high level hierarchical position.

Most of the times, a confusion is made between the **administrator** and the **management controller** profession. Thus, we consider opportune the delimitation of the two concepts.

Administrator, according to the law 22/18.11.1969, updated, is the employee of a company, authority or public institution that has as main job responsibilities receiving, keeping and delivering goods that are in the administration, use or ownership of a company, authority or public company, regardless of the way they were obtained and of the place they are kept.

The administrator is thus directly responsible with the goods he has in administration, use or ownership (installations, merchandises, raw materials and petty materials etc.), his action being restricted only to the attributes mentioned above. The management controller however pursues a correct use of the available resources in order to achieve the objectives established. He is the connection person between operational and management. He is the person that offers support for the decision making, playing thus a part of counselor and help for decisions of the managers, but also of the operational persons.

Another profession that was not separated from the management control for a long time was the internal auditor, the reason being the similar evolution of both of them. In this moment in the evolution of the economic environment the need to clearly separate the two jobs appeared as they have to be able to exercise their competences over management. Thus, the internal auditor passed from a simple control to managerial assistance that guarantees a good control over operations, while the management controller passed from a simple analyses of costs to budgetary control and company management. Both the management controller and the internal auditor support the optimization of the company.

The classical attributes of the management controller are (Dumitrana & Vulpoi, 2004):

- he is part of elaborating the general strategy of the company on long and medium run; he quantifies the hypothesis;

- he transforms the general to particular objectives; he makes action plans and programs;
- he assist the responsible persons in elaborating the budgets;
- he coordinates and assures the coherence of the systems;
- he centralizes the partial budgets;
- he compares the targets to the achievements;
- he helps the responsible persons to identify the causes of the variances;
- he updates the balanced scorecard;
- he is responsible for the quality of the information and for the time in which it is obtained.

The management controller is not a simple supplier of figures. He builds the balanced scorecard and has to pursue a permanent update to the objectives established. The pertinent indicators included in the balanced scorecard are established by the management controller together with the management.

From the classical mission of the management controller we reach the role of putting into action the company's strategy by taking part in identifying the objectives, focusing the behaviors to achieve the objectives and inciting the use of the available resources in a productive way. The management controller has to fulfill the role of an animator within an entity as he has to motivate the staff/personnel in obtaining the performance.

The management controller plays a strategic role in the informational system conceived at the level of an organization (Alazard and Separi, 2001), he has to put in action the necessary operational control procedures, to form and motivate the executing personal for its responsibilities, to inform and council.

Nowadays, the attributes that a management controller should have rely on originality and moral authority. The management controller has to be: supporter of the change, dialog person and information system person.

As a supporter of the change, the management controller has a formation role:

- He develops the managerial culture of the company;
- He broadcasts the messages concerning the performance;
- He initiates a dialog with the operational personnel
- He assures the prevention of the errors.

As a dialog person, the mission of the management controller is to foresee, measure, act. The management controller shouldn't be identified with the "man with the sanctions". The evolution of the management control changed the focus from foreseeing and measuring to measuring and acting, change that concerns mainly the behavior. The dialogue involves the existence of a common language at the level of management and operating persons. How can you translate this common language? The common language supposes a clear vision of the future and the management controller has to be sure that each person responsible has a clear vision over his own mission and performance he has to touch. Each responsible person has to understand why the named performance has to be achieved, how it can be achieved and what measures have to be applied. The common language also touches the measurement of the present performance and the past and future actions.

As an information system person, the management controller achieves the driving of the performance through three connected axes that have as an attribute the value creation:

- Investors;
- Employees:
    - Customers – investors interface
    - Human – economic relationship
    - Knowledge capitalization
    - Polyvalence
- Customers.

For driving, the management controller is at the crossroad of internal and external information and has an important part in mastering them.

With the evolution of the management control the attitude of the management controller also changes, as he becomes a decision-making person and a colleague (table 1).

The management controller: then and now

Table 1

"Traditional" management controller	**"New" management controller**
Has as a purpose the supervision	Stimulates action
Programs	Drives
Reactive attitude	Proactive attitude
He is an accomplisher	He is a co-decision making person
He is and has subordinates	He is a colleague

Source: Boisvert, H., L'emergence du controle de gestion, 1996, quoted by Albu and Albu, 2003

The management controller does not replace other departments, but gets involved in organizing an informational system and asks himself about the dimension of the information useful to drive value. Making a decision means in the end to correlate a restricted number of pieces of information. This is why the management controller will focus on making decisions concerning usefulness, profitableness and costs; he will insure the coherence and reliability of the information system.

3. Attributes of the management controller in the trade area

In the **trade** area, the management controller is involved (along with the commercial manager)in defining the trade objectives and making the sales forecasts. In this way he fulfills the role of counselor, offering support to the trade department for driving the activity. The information offered by him has to allow the company to act quickly to the evolution of the markets, of environment in general. Thus, he performs various studies with financial and economic character concerning the profitability of certain markets, distribution areas, products, customers, analyses the margins, distribution expenses, advertising costs (*The report for the global/warehouse profitableness analysis, The report for the analysis of the profitableness on groups of merchandises, The report for the analysis of customers' profitableness*). The management controller in the trade area can be involved in setting the prices and margins. He has to apply the assembly of instruments for the analysis of the results and to offer support in the decision making in driving the activity and the global performance.

We consider that *a report for the global/warehouse profitableness analysis* should include the following items: *turnover, cost of sales, gross margin (turnover - cost of sales), other variable expenses, total variable cost, margin on total variable cost (gross margin - other variable expenses), fixed expenses, profit or loss (margin on total variable cost - fixed expenses), profit or loss/turnover, gross margin/turnover, margin on total variable cost/turnover.*

This global analysis, at the level of the entity or warehouse, is connected with the achievement of the performances: turnover, cost of sales, gross margin, profit or loss, breakeven point, forecasted and achieved.

The data source for fulfilling this report can be: the budgets network, the financial and managerial accounting. If the total of the expenses according to their nature is offered by the financial accounting, for function and behavior classification we have two options, meaning: a development of the financial accounting or the managerial accounting as suitable. The situation presented is also functional at the level of the warehouses, because each warehouse corresponds to a center of profit, so it can present an elementary profit or loss account.

In case an entity is split into different area, the report will be fulfilled for the total company and for areas. The effect is connected to the adapting the price politics to the specific of each area in the circumstances of achieving the objective of global and zonal profitableness.

At the level of the groups of merchandises, the computation and analysis of the profitableness imposes detailed information concerning the full cost, which are rarely, but not impossible, computed in the distribution.

In order to achieve an *analysis of the profitableness on groups of merchandises*, the following items are pursued: *turnover on groups of merchandises, cost of sales on groups of merchandises, gross margin on groups of merchandises, other expenses, full cost, profit or loss on groups of merchandises (gross margin on groups of merchandises - full cost), gross margin ratio (gross margin on groups of merchandises / turnover on groups of merchandises x 100), profit or loss ratio (profit or loss on groups of merchandises / turnover on groups of merchandises x100).*

As the cost of merchandise sold can be easily computed, the managerial accounting has to focus on the other expenses in order to find a reasonable absorption basis.

For all the indexes listed the deviations *actual level – forecasted level* are computed and the causes are presented. The two types of analysis presented are adapted to the gross trade as well as to the detailed trade, especially because of the variety of customers they operate with.

“Our client our master” should be the guiding line of the companies nowadays. “The scope of an enterprise consists in creating and keeping the client” (Lynch, 2002). The companies owe their prosperity to the customers that choose their products.

In the case of the *analysis of the profitability of clients* appears the problem of computing the cost on client. What does this cost include? The elements would be: *turnover, the cost of sold goods, the specific cost for the customer* (transport, sales agent expenses, telephones, service etc.), *client cost, margin on client, administrative expenses quota, full cost on client, profit or loss on client, gross margin ratio, margin on client cost ratio, profit or loss ratio*. All these components offer the possibility to compute margins and results, allowing a management through margins.

The grand total of the report has to correspond to the totals on entity or area. The report above has to include all the discounts allowed for the customers according to certain criteria, such as: faithfulness, seriousness, satisfaction, etc., in order to analyze the impact of discounts on the profit and thus on the future price politics.

As the literature shows (Ristea, 2008), “Exhaustive allocation of all the costs on the whole clients portfolio is very risky, preventing the managers to make right decisions. For example, the decision to renounce to a client, which apparently is not profitable based on a complete analysis of costs can determine the disappearance of a descendent spiral, in which the lost turnover not to be covered by a comparable reduction of costs. For this reason it is necessary to understand well how an enterprise operates, starting from the cause-effect relations, in order to have a just repatriation of costs on the cost objects. Cost objects can be products, services provided to the clients, costs with enterprise maintenance on a market segment".

At the subsidies level, the trade management controller is involved in the activity of reporting to the mother entity. As to this purpose he uses another instrument of the management control: *reporting*. The reporting concerns a few quantitative and qualitative indexes: the turnover, the part of the market detained, the profit etc., detailed according to the requests of the mother.

Adaptability, reactivity, availability, responsibility, integrity, team spirit, high analysis and synthesis abilities, negotiation abilities, relation qualities for creating a trust climate represent the human qualities of the management controller. The competences in accounting, finances, organization, information systems, human resources – these are just a few of the requests for a complex person, with a good education, that allow him to fulfill with success the missions within his organization (including one in the trade area).

Conclusions

The management control is a must for all the entities, including the ones in the trade area, as in spite of all the particularities everybody's main objective is to assure and control performance. The way the management control is organized is each entity's competency as to the volume and quality of the information asked by the managers.

The reports fulfilled for the presentation of the information to the managers are characterized by flexibility, adaptability to requests and lack of standardization that would create problems.

The content of the reports through the information is a lot broader concerning both the financial and the non financial side (qualitative indexes). An efficient management control keeps the entity under pressure and helps it get and stay on the wanted path in order to achieve the target set.

Usually, the subsidies of the big foreign companies develop the job of commercial management controller. Keeping in mind the importance of the management controller in the life of an entity, we consider opportune and necessary the organization of a distinct profession in the Romanian entities in the trade area as well. On the other hand, we suggest the inclusion of the management controller on the national job sheet and the organization of a distinct *management control* department with responsibilities and connections to other departments, that pursue, analyze and report the information needed for the support of the managerial decisions concerning the achievement of the targets set on a short run as a phase in getting the strategic objectives.

End notes

[1] The author used different data bases (Business Source Premiere, Econlit, Science direct), papers presented at congresses (especially AFC) and french scientific magazines (Comptabilité, Contrôle, Audit; Finance, Contrôle et Stratégie; Revue Français de Gestion).

[2] The 48 job offers were studied on the Internet between 23 November – 10 December 2006, being selected out of 1.000 offers in all the accounting and finances domains.

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